

## **FIVE-YEAR BUSINESS PLAN**

*The following sets forth a business plan for MIHC's first five (5) years of operation, submitted pursuant to Wis. Stat. § 644.07(4)(b)(6)*

As a mutual holding company, MIHC will conduct no business operations other than those associated with its role as the sole or majority shareholder of Converted MMIC. Accordingly, as its required business plan, MIHC submits a 5-year business plan for MMIC/Converted MMIC.

### **Milwaukee Mutual Insurance Company Summary of Financial Projection Assumptions**

#### **Income Statement**

Milwaukee Mutual Insurance Company participates in a pooling reinsurance arrangement with two affiliated companies. Business acquired by the participants is pooled and the combined premiums, losses and certain expenses are prorated to the pool participants based on their percentage participation in the pool. Milwaukee Mutual's pooling percentage is 40% for business prior to October 1, 1995 and 5% for business subsequent to that date. Due to this arrangement, there is still old pool (business prior to 10/1/95) activity that affects Milwaukee Mutual and therefore must be considered when reviewing the Company's results.

Direct and net written premiums are expected to grow at an annual rate of 5%.

Loss ratios are expected to decrease as old pool losses runoff.

Other expenses should decrease as our business practices become more efficient.

#### **Balance Sheet**

Bonds and short-term investments together represent the total amount of bonds invested. Reduction of bonds over time is from the use of funds to pay loss reserves and operating expenses.

Cash held is projected to be below \$1.0 million.

All other assets are assumed to remain constant over the projected years.

Losses and LAE reserves replicate historical runoff understanding the old pool reserves are decreasing at a faster rate than the growth of the new pool reserves.

Unearned premium reserve reflects the change in UPR as projected on the income statement.

Other liabilities gradually decrease as payments for postretirement other than pensions are paid off.

Surplus change represents net income or loss.

**MILWAUKEE MUTUAL INSURANCE COMPANY**  
**STATUTORY BALANCE SHEET PROJECTION**

	ACTUAL	PLAN	PROJECTED	PROJECTED	PROJECTED	PROJECTED	PROJECTED
	2001	2002	2003	2004	2005	2006	2007
Bonds	23,241,935	28,632,290	28,379,047	27,928,000	27,250,000	26,780,000	25,780,000
Common Stocks	4,727,136	4,740,292	4,740,292	4,740,292	4,740,292	4,740,292	4,740,292
Real Estate & Other Invested Assets	11,586,288	11,586,288	11,586,288	11,586,288	11,586,288	11,586,288	11,586,288
Short Term Investments	11,421,341	1,885,475	1,182,737	738,819	515,984	232,132	306,172
Cash	916,584	486,592	626,380	696,092	771,506	707,540	789,319
<b>Total Cash &amp; Invested Assets</b>	<b>51,893,284</b>	<b>47,330,937</b>	<b>46,514,744</b>	<b>45,689,491</b>	<b>44,864,070</b>	<b>44,046,252</b>	<b>43,202,071</b>
Accrued Investment Income	375,422	375,422	375,422	375,422	375,422	375,422	375,422
Other Assets	578,349	577,349	577,349	577,349	577,349	577,349	577,349
<b>Total Assets</b>	<b>52,847,055</b>	<b>48,283,708</b>	<b>47,467,515</b>	<b>46,642,262</b>	<b>45,816,841</b>	<b>44,999,023</b>	<b>44,154,842</b>
Loss & LAE Reserves	6,935,066	7,322,782	7,051,839	6,790,921	6,539,657	6,297,690	6,064,675
Unearned Premium Reserve	1,605,014	1,619,963	1,513,175	1,401,047	1,283,313	1,159,693	1,029,891
Other Liabilities	10,176,950	5,573,697	5,565,000	5,555,000	5,545,000	5,535,000	5,525,000
Surplus	34,130,025	33,767,266	33,337,501	32,895,294	32,448,871	32,006,641	31,535,276
<b>Total Liabilities &amp; Surplus</b>	<b>52,847,055</b>	<b>48,283,708</b>	<b>47,467,515</b>	<b>46,642,262</b>	<b>45,816,841</b>	<b>44,999,023</b>	<b>44,154,842</b>